



SECTION 1

Budget Request Basics

This section describes the basic approach to, and the key elements of, the operating budget submittal.

1.1 The strategic framework for budget decisions



The 2003-05 budget process created a new strategic framework

The Priorities of Government (POG) approach for developing the 2003-05 budget created a strategic framework for Washington State government. It starts with several basic questions:

- What are the results that citizens expect from government?
- What strategies are most effective in achieving those results?
- Given the money available, which activities should we buy to implement those strategies?
- How will we measure progress?

This approach proved effective in helping budget decision makers better understand the activities, costs, and outcomes of state government from the view of the entire enterprise. We will continue to use this results-based framework for the 2005-07 budget development process.

Statewide results that citizens most expect

For the 2005-07 budget development effort, the POG process begins with 11 critical statewide results that citizens expect from government.

Statewide Results
<ol style="list-style-type: none">1. Improve student achievement in elementary, middle and high schools2. Improve the quality and productivity of the workforce3. Improve the value of a state college or university education4. Improve the health of Washington citizens5. Improve the security of Washington's vulnerable children and adults6. Improve the economic vitality of businesses and individuals7. Improve statewide mobility of people, goods, information and energy8. Improve the safety of people and property9. Improve the quality of Washington's natural resources10. Improve cultural and recreational opportunities throughout the state11. Improve the ability of state government to achieve results efficiently and effectively

You can find data on key high-level indicators of success for each result area on the Priorities of Government page on OFM's website at <http://www.ofm.wa.gov/budget/pog/overview.htm>.

The best budget proposals link investments to results

The budget is one of the most important tools for implementing policy and achieving results. In its review of agency budget requests, OFM will ask these key questions:

- What are the most effective strategies and activities in which to invest to achieve agency and statewide results?
- How do we know we are purchasing these activities at the best possible price?
- Given financial or other constraints, how can we maximize the results that citizens want?

The agency strategic plan, activity descriptions, and decision package information should all play key roles in answering these questions. The best budget proposals are persuasive not only at the agency level, but also within the broader statewide context that OFM and the Legislature must consider in making decisions. Proposals that make the strongest case will be those that can discuss the value and benefits of the outcomes they intend to deliver to achieve statewide results.

Results Teams will provide an enterprise perspective on the strategies that achieve results

This year, OFM will convene teams of experts around each of the 11 statewide results. These "results teams" will be charged with recommending strategies and activities that can best achieve results for citizens. OFM will ask members to approach their work with a citizen perspective, rather than as an agency representative. By looking at the activities of agencies in the context of statewide results, the teams will offer an important enterprise-wide view to the budget development process.

The work of the Results Teams will be integrated into the budget development cycle

In 2002, the results teams met in the fall, and therefore, their priority and strategy recommendations were not available in time to influence the development of agency budget proposals. This year, we hope to better integrate the work of the teams into the rest of the budget development process. By asking the teams to begin analysis in the spring, agencies will have an opportunity to address team recommendations in their budget proposals. Here is a summary of the expected schedule and assignments for the results teams.

<i>April - May</i>	<p>Results Teams will convene to:</p> <ul style="list-style-type: none"> ▪ Confirm key indicators of success for the result ▪ Re-evaluate existing maps of the factors that influence or drive the result ▪ Review and evaluate strategies adopted for the 2003-05 Biennium ▪ Review performance progress and identify potential opportunities to improve outcomes or achieve them more efficiently ▪ Recommend high-level purchase strategies and other guidance <p>Agency strategic plans received by May 3 will be distributed for team use during this time.</p>
<i>End of May</i>	OFM sends possible additional budget guidance to agencies based on Result Team recommendations.
<i>August -September</i>	Agencies submit budgets, activity descriptions and performance estimates.
<i>Mid September – early November</i>	Results Teams convene to recommend prioritized purchase plans that maximize results to citizens.
<i>November – early December</i>	Final budget decisions made on Governor Locke’s budget.
Visit OFM’s website for information about Priorities of Government (POG)	<p>You can find more information about Priorities of Government at OFM’s website at http://www.ofm.wa.gov/budget/pog/overview.htm.</p>

1.2 Where to find fiscal context information for the 2005-07 budget

OFM’s website offers updated fiscal context information	<p>You can find updated fiscal context information on OFM’s website at http://www.ofm.wa.gov/budget/05-07fiscalcontext.pdf. This document provides an overview of revenue and caseload forecasts and their implications for the 2005-07 budget, as well as links to a six-year fiscal outlook prepared by OFM. The Part 1 Budget Instructions also discussed budget considerations related to Initiative 601 and the state debt limit. You can find additional population, revenue, and caseload forecast information at these websites: http://www.cfc.wa.gov/ (Caseload Forecast Council), http://www.erfc.wa.gov/home.htm (Economic and Revenue Forecast Council), and http://www.ofm.wa.gov/forecasting/sitemap.htm (OFM).</p>
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1.3 How is a budget request organized?

Recommendation Summary format summarizes the budget

Budget requests are summarized in a step-table format referred to as the “Recommendation Summary.” The Recommendation Summary begins with current biennium legislative spending authority and lists significant incremental changes to arrive at the agency’s 2005-07 request. Ideally, each single line on the Recommendation Summary should represent a single budget policy decision.

Decision packages are one set of budget building blocks

Agencies must describe and support each requested incremental change to the current budget with a decision package. Decision packages are the place for agencies to make a persuasive case for their requested budget changes.

The Budget Development System (BDS) assists agencies in developing the budget decision packages and produces the resulting Recommendation Summary report.

Major budget categories help to organize the request

The incremental steps in the Recommendation Summary are grouped to help OFM and legislative fiscal staff analyze certain categories of expenditure changes from the current biennium level.

Carry-forward

Carry-Forward Level – How much of the budget proposal is the biennialized cost of continuing the workload or services already authorized through legislative budget decisions? OFM, in consultation with agency and legislative staff, determines the carry-forward level and communicates the dollar amount to agencies as soon as possible after the 2004 supplemental budget is enacted. Section 5 discusses carry-forward calculations in more detail.

Maintenance

Maintenance Level – How much of the budget proposal is the cost of additional mandatory caseload, enrollment, inflation, and other legally unavoidable costs not contemplated in the current budget? Maintenance level changes to budgeted, nonappropriated funds are also listed in this category. Section 5 discusses this category in more detail.

Policy and performance

Policy and Performance Changes – What other expenditure change proposals are contained in the agency request budget? These options may represent significant changes in discretionary workload, the nature and scope of services, or alternative strategies and outcomes. Section 6 discusses this category in more detail.

The activity inventory provides another important set of budget building blocks

While the decision packages show the incremental changes to the agency budget, the activity inventory describes what the agency does. What are the activities of the agency? What does it cost to perform them? What are the products and outcomes of each? What is the connection between the outcomes of those activities and the desired statewide results?

Agencies also will present the budget by activity



This year, agencies will prepare and submit an activity view of the budget in addition to the traditional decision package orientation. The Budget Development System has been modified to support this requirement and to include activity description and performance measure information in the budget database. Section 2 discusses the activity inventory and activity budget requirements in more detail.

Additional supporting information is needed for the request

In addition to the decision packages, Recommendation Summary report, and activity inventory, the budget submittal includes other information OFM needs to analyze the budget request:

- Agency performance measures and the Performance Measure Incremental Estimates report (Part 1, Section 2 and Part 2, Section 9),
- Agency revenue and working capital reports (Section 8), and
- Other special reports (refer to Section 13 to see which reports apply to your agency).

Agency strategic plans, due to OFM on May 3, are also critical to budget analysis. See Part 1, Section 1 for complete information on Strategic Plan submittal requirements.

Some agencies provide budget data at the program level

Although OFM reviews most recommendation summaries at the agency/decision package level, we do ask for some program detail from agencies. For the agencies listed below that are appropriated at program (or lower) level, we request that program level recommendation summaries be included with the agency request.

- 225 Washington State Patrol
- 240 Department of Licensing
- 300 Department of Social and Health Services – program level, except the following submitted at category level:
 - Juvenile Rehabilitation
 - Mental Health
 - Developmental Disabilities
- 305 Department of Veterans Affairs
- 310 Department of Corrections
- 343 Higher Education Coordinating Board

350	Superintendent of Public Instruction
405	Department of Transportation
406	County Road Administration Board
407	Transportation Improvement Board

All other agencies need only submit the Agency Budget Levels by Program report. See Section 3 for information about this report.

1.4 What are the submittal requirements?

What are the required components of the budget submittal?

The chart below shows the required components of the budget submittal and the way the material should be organized in the notebooks submitted to OFM.

For budget submittal definitions and requirements by statute, refer to RCW 43.88.020, 43.88.030, 43.88.032-060, 43.88.090, and 43.88.120.

Required Budget Submittal Components

- TAB A**
- ☐ Agency Organization Chart
 - ☐ Agency Activity Inventory Report *BDS report (Section 2 and Section 9.1)*
 - ☐ Performance Measure Incremental Estimates Report *BDS report (Section 9.2)*
 - ☐ Indirect Cost Allocation to Activities Description *(Section 2.4)*
 - ☐ Business Plans - Part 2 – *only for accounts and agencies listed in Part 1, Section 2.2*

- TAB B**
- ☐ Recommendation Summary at Agency Level *BDS report (Section 3)*
 - ☐ Recommendation Summary at Program Level *BDS report (Section 3) – only for agencies listed in Section 1.3*
 - ☐ Agency Budget Levels by Program *BDS report (Section 3) – for all multi-program agencies*

- TAB C**
- ☐ Decision Package Summary *BDS report (Section 4)*
 - ☐ Individual Decision Packages* *BDS entry form and report (Section 4)*

- TAB D**
- ☐ Agency Revenues (B9) *BDS report (Section 8)*
 - ☐ Working Capital Reserve (B9-1) *By Fund Administrators – BDS entry form and report (Section 8)*
 - ☐ Fund Summary by Fund Administrators *(Section 8)*
 - ☐ Revenue Transfer Reconciliation Statement *(Section 8)*
 - ☐ Federal Fund Estimates/State Match *OFM template (Section 13.1)*
 - ☐ Non-Budgeted Local Fund Summary (B10) *OFM template (Section 13.2)*
 - ☐ Puget Sound Action Team Work Plan Expenditures *(Section 13.5)*
 - ☐ JLARC Audit Responses *(Section 1.5)*

- ☐ Copy of each decision package that includes IT investments*: *submit to DIS (Section 11.1)*
- ☐ Six-Year Transportation Agency Program/Financial Plan: *submit to DOT or Fund Administrator (Section 13.4)*
- ☐ Updated agency descriptions: *return completed template to Laurie Lien at Laurie.Lien@ofm.wa.gov*

* Please refer to the checklist in Section 11.1 for the full list of items to be included with information technology project-related decision packages.

How many copies must we submit?

With the exceptions below, each agency should submit five complete copies of its operating budget document to OFM. Three of these copies are retained by OFM, one is sent to the Senate Ways and Means Committee, and one is sent to the House Appropriations Committee.

Higher education requirements

Higher education institutions should submit two additional complete copies, for a total of seven copies. OFM will forward one to the Higher Education Coordinating Board and one to the Council of Presidents' Office.

Transportation-funded agency requirements

Transportation agencies, the Utilities and Transportation Commission, State Parks and Recreation Commission, Department of Agriculture, LEAP, and State Auditor should submit two additional complete copies for a total of seven copies. OFM will forward one to the House Transportation Committee and one to the Senate Highways and Transportation Committee.

How many copies of the Strategic Plan must be submitted to OFM by May 3?

Please submit at least five copies of the agency strategic plan, and either one electronic version of the plan (preferred), or two additional hard-copy plans (for a total of seven.) The plan is due on May 3.

What are the format requirements?

- Number all pages.
- Reduce oversized materials by photocopier whenever possible.
- Three-hole punch all material and assemble each copy of the budget in a standard size notebook supplied by the agency.
- Organize and tab the material as shown above.

What is the submittal address?

Operations Section, Budget Division
Office of Financial Management
300 Insurance Building
Post Office Box 43113
Olympia, Washington 98504-3113

1.5 Other general preparation requirements

What are the rounding protocols?

- Round all expenditure and revenue amounts to whole dollars except in the case of individual claims (legal judgments, Local Improvement District assessments, etc.) that must be reported exactly. Round fractions of dollars from \$.01 through \$.49 to the next lower whole dollar, and \$.50 through \$.99 to the next higher whole dollar.
- Omit dollar signs (\$) except where necessary to distinguish dollars from other numbers.
- Round FTE amounts to the nearest tenth.

How do we display negative numbers?

Use parentheses to indicate numbers reflecting expenditure decreases.

Required fund code conventions for budget documents

With few exceptions, use the state accounting system coding scheme for account numbers and other designations used in the budget documents. Fund codes require both the account number and the appropriation type code that indicates the source character of the funds involved. Separate the one-digit appropriation type from the three-digit account number with a hyphen as shown in the table below.

General Fund

The following fund sources, where applicable, must be identified separately:

- 001-1** General Fund-State. Include applicable compensation adjustment allocations. Appropriation Type 1.
- 001-2** General Fund-Federal. Include applicable compensation adjustment allocations. Appropriation Type 2.
- 001-3** General Fund-Federal Unanticipated. Combine all federal unanticipated receipts and show one total. Appropriation Type 3.
- 001-4** General Fund-Governor's Emergency Allocation. (Appropriations 611 and 612) Appropriation Type 4.
- 001-5** General Fund-Other Federal Fixed Grants (DSHS and Department of Health only). Include applicable compensation adjustment allocations. Appropriation Type 5.
- 001-7** General Fund-Private/Local. Appropriation Type 7.
- 001-9** General Fund-Private/Local Unanticipated. Appropriation Type 9.
- 001-0** General Fund-Federal: Social Services Block Grant—Title XX (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type 0.
- 001-A** General Fund-Federal: Family Support/Child Welfare—Title IV (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type A.

- 001-C** General Fund-Federal: Medicaid–Title XIX. Include applicable compensation adjustment allocations. Appropriation Type C.
- 001-D** General Fund-Federal: Temporary Assistance for Needy Families (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type D.
- 001-E** General Fund-Federal: Child Care Development Funds (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type E.

Motor Vehicle Account

- 108-T** Motor Vehicle Account Bonded Projects: (DOT only). Use to identify bonded transportation projects. Appropriation Type T.

Other Appropriated Treasury Funds

Identify other appropriated treasury funds by the following appropriation types:

State:	Appropriation Type 1
Federal:	Appropriation Type 2
Federal Unanticipated:	Appropriation Type 3
Private/Local:	Appropriation Type 7
Private/Local Unanticipated:	Appropriation Type 9

Nonappropriated Funds

All nonappropriated funds, regardless of original source of funding, must use Appropriation Type 6.

Departmental request legislation with a budget impact is due with the budget request

Departmental request legislation proposals with a budget impact must be submitted to Patsy Ellis, OFM Policy Office, by the budget submittal due date. More detailed instructions for submitting agency request legislation will be distributed in a letter to agency directors from the Governor's Office. Proposed departmental request legislation will be reviewed with the Governor this fall. Agencies must include decision packages in the budget submittal for any of these proposals that have revenues or expenditures.

Please ensure that other agencies potentially affected by your agency's proposed legislation are aware of the request, since OFM will need fiscal notes from each affected agency. Each agency will also need to include the fiscal impact in its budget submittal.

Report requested changes to budget program structure by May 10, 2004

If an agency is considering changing budget program or subprogram structure as part of its 2005-07 budget, the necessary justification must be submitted to OFM no later than May 10, 2004. This will allow sufficient time to obtain LEAP approval as required by the State Budgeting, Accounting, and Reporting Systems Act (RCW 43.88). Please refer to the memo regarding this request on the OFM budget instructions web page.

<http://www.ofm.wa.gov/budget/instructions.htm>

Include JLARC audit responses in the budget submittal

RCW 43.88.090(1) requires agencies to reflect consideration of applicable Joint Legislative Audit and Review Committee (JLARC) performance audit recommendations in their budget requests. Specifically, "The estimates must reflect that the agency considered any alternatives to reduce costs or improve service delivery identified in the findings of a performance audit of the agency by the joint legislative audit and review committee. Nothing in this subsection requires performance audit findings to be published as part of the budget."

The following agencies should include narrative in the budget request that describes the current status of audit responses to JLARC findings and recommendations issued from January 2002 through January 2004. Specific audits and studies are identified on the OFM budget instructions web page at

<http://www.ofm.wa.gov/budget/instructions/operating.htm>.

Department of Community, Trade, and Economic Development
Conservation Commission
Department of Corrections
Department of Ecology
Employment Security Department
Office of Financial Management
Department of Fish and Wildlife
Office of the Governor
Department of Labor and Industries
Department of Natural Resources
Interagency Committee for Outdoor Recreation
State Parks and Recreation Commission
Office of Superintendent of Public Instruction
Washington School for the Deaf
Department of Social and Health Services
Washington Utilities and Transportation Commission

Agencies should be prepared to provide this information to JLARC as well.

1.6 Using the Budget Development System

Use the BDS for developing budget proposals

The Budget Development System (BDS) serves as a tool for budget submittal and facilitates actual budget development. BDS enables an agency to develop its budget by decision package, capturing the information (narrative, expenditure, revenue, and performance measure data) necessary to explain and justify the agency's request. The system also will generate many of the budget reports required as part of the submittal.

New BDS Features



OFM has made some system modifications and improvements to support the new activity budgeting requirements.

- The system now provides the means to maintain and publish activity inventory description information.
- It enables agencies to build, view and report the proposed budget by activity as well as by increment. Also enables agencies to allocate decision packages and the maintenance level subtotal to agency activities.
- New features in BDS replace PMTES for use in meeting the performance measure requirements of the budget submittal. Performance measures are linked to agency activities rather than agency goals.

New Salary Projection System (SPS)



BASS released the new Salary Projection System (SPS) in November 2003. This system was developed to assist agencies in developing staffing-related FTE and expenditure estimates. The system can be used to analyze the cost of current staff levels or to develop scenarios to estimate the cost of budget proposals. SPS provides users:

- The advantage of an on-line listing for easy viewing and navigation of positions within a file,
- The ability to view reports prior to printing, and
- The option of saving projection results in an independent file for easy reporting and future reference.

SPS is only available to agencies with access to the statewide intranet. If you cannot access <http://bass.ofm.wa.gov/basspr>, then SPS is not available to you at this time.

BASS training and assistance

If you would like more information or assistance in using BASS systems, please contact Vicki Rummig at (360) 725-5268. Training classes or self-guided tutorial lessons are also available. Training information and registration can be found on-line at <http://www.ofm.wa.gov/training.htm>. More information on SPS, BDS, and other BASS products can be found in the BASS Library at <http://bass.ofm.wa.gov/basspr/library> (<https://services-bass.ofm.wa.gov/basspr/library> for Fortress users).